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C O N F I D E N T I A L QUITO 000373

SIPDIS

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TAGS: [ETRD](#) [ECON](#) [EC](#)
SUBJECT: AMBASSADOR MEETING WITH MINISTER OF INDUSTRIES AND
PRODUCTIVITY

REFTEL: a) Quito 344, b) Quito 60

Classified by: Ambassador Heather Hodges, Reasons 1.4 (b) and (d).

¶1. (C) Summary: The Ambassador made an introductory call on Industries and Productivity Minister Xavier Abad on May 13. The Minister discussed the Ministry's infrastructure development plans and focused on ways to advance the bilateral commercial relationship, including a possible trade cooperation agreement. End Summary.

¶2. (U) On May 13, the Ambassador, Commercial Attache', and Commercial Specialist had an introductory meeting with Minister of Industries and Productivity Xavier Abad and Under Secretary for Industrial Productivity Andres Robalino. The meeting was characterized by a very friendly and cooperative tone, with the Minister expressing his desire to work with the Embassy to build a solid bilateral commercial relationship.

¶3. (U) The Minister opened by discussing potential areas for bilateral cooperation. The Government of Ecuador (GOE) is proceeding with investments in infrastructure development and renovation focusing on roads, ports (Posorja, Manta, and Puerto Bolivar, which supplement and at times are competition for Ecuador's main port of Guayaquil), and internet connectivity. The GOE is working to attract foreign direct investment, and Minister Abad mentioned the opening of U.S. firm Rainbow's air purifier assembly plant near Quito and Avon's recent decision to begin domestic production of cosmetics as examples of recent U.S. investment.

¶4. (SBU) In discussing the world economic situation and its effects in Ecuador, Minister Abad emphasized that de-dollarization is not being considered by the GOE. He mentioned that the balance of payments "safeguard" measures (reftel b) were taken specifically to protect dollarization and that dollarization was key to achieving the GOE's goal of a sustainable economy.

¶5. (C) In discussing the GOE's trade policy and foreign direct investment, Abad hinted at interest among certain members of the GOE in pursuing a trade cooperation agreement with the United States. (Note: This apparently would be an Ecuadorian version on a free trade agreement; however he did not mention any details.) He specifically noted that the Ministry of Foreign Affairs has the lead on such matters.

¶6. (C) Comment. The Minister, who occasionally worked with the Embassy in his previous capacity as President of the Cuenca Chamber of Industries, appeared to be sending signals on a more cooperative relationship ahead. It is worth noting that while Minister Abad's signals are positive, he is not the lead on foreign trade matters. Abad is the second minister to hint at some sort of alternative trade agreement with the United States (reftel a); although he did not go into details, a senior MFA official subsequently briefed Embassy officials on the GOE vision (septel). Abad's focus on infrastructure investment is interesting, since the GOE supposedly is cutting back on infrastructure spending because of weak oil revenues, but his

comments are in keeping with the GOE's practice of suggesting that fiscal problems will not be a constraint on priority projects.

HODGES